

*Leighton Township Green Lake Sewer Commission
Allegan County, Michigan*

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Years ended March 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

**Members of the Board
Leighton Township Green Lake
Sewer Commission**

We have audited the accompanying basic financial statements of the Leighton Township Green Lake Sewer Commission, component unit of the Township of Leighton, Michigan, as of March 31, 2008 and 2007, and for the years then ended, as listed in the contents. These financial statements are the responsibility of the Leighton Township Green Lake Sewer Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leighton Township Green Lake Sewer Commission at March 31, 2008 and 2007, and the changes in financial position and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The Leighton Township Green Lake Sewer Commission has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

May 29, 2008



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BASIC FINANCIAL STATEMENTS

Leighton Township Green Lake Sewer Commission**STATEMENT OF NET ASSETS***March 31, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash	\$ 641,701	\$ 596,285
Receivables	<u>79,733</u>	<u>68,507</u>
Total current assets	<u>721,434</u>	<u>664,792</u>
Noncurrent assets:		
Receivables	102,500	160,000
Capital assets not being depreciated	138,782	138,782
Capital assets, net of accumulated depreciation	<u>1,914,934</u>	<u>2,014,917</u>
Total noncurrent assets	<u>2,156,216</u>	<u>2,313,699</u>
Total assets	<u>2,877,650</u>	<u>2,978,491</u>
LIABILITIES		
Noncurrent liabilities - long-term obligations	<u>265,200</u>	<u>324,000</u>
NET ASSETS		
Investment in capital assets, net of related debt	1,788,516	1,829,699
Reserved for debt service	150,147	215,335
Unrestricted	<u>673,787</u>	<u>609,457</u>
Total net assets	<u>\$ 2,612,450</u>	<u>\$ 2,654,491</u>

See notes to financial statements

Leighton Township Green Lake Sewer Commission**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS***Years ended March 31, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Sewer usage charges	\$ 111,610	\$ 108,209
OPERATING EXPENSES		
Administrative fees and per diems	5,860	6,600
Repairs and maintenance	15,099	17,831
Professional fees	2,723	10,013
Contract services	43,823	46,168
Telephone	2,901	2,926
Insurance	800	2,391
Utilities	4,072	4,947
Miscellaneous	1,498	1,808
Depreciation	99,983	100,357
Total operating expenses	176,759	193,041
OPERATING LOSS	(65,149)	(84,832)
NONOPERATING REVENUES		
Interest revenues:		
Special assessments	9,430	11,960
Other	29,496	26,373
Hook-up fees	-	6,100
Interest expense and fiscal charges	(15,818)	(18,492)
Total nonoperating revenues	23,108	25,941
CHANGES IN NET ASSETS	(42,041)	(58,891)
NET ASSETS - BEGINNING	2,654,491	2,713,382
NET ASSETS - ENDING	\$ 2,612,450	\$ 2,654,491

See notes to financial statements

Leighton Township Green Lake Sewer Commission**STATEMENT OF CASH FLOWS***Years ended March 31, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 109,391	\$ 109,119
Payments to suppliers	<u>(76,776)</u>	<u>(95,152)</u>
Net cash provided by operating activities	<u>32,615</u>	<u>13,967</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Hook-up fees	-	6,100
Assessment collections	57,500	57,500
Interest on special assessments	9,430	11,960
Interest paid on general obligation bonds	(14,618)	(17,292)
Principal paid on general obligation bonds	<u>(60,000)</u>	<u>(60,000)</u>
Net cash used in capital related financing activities	<u>(7,688)</u>	<u>(1,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>20,489</u>	<u>20,908</u>
NET INCREASE IN CASH	45,416	33,143
CASH - BEGINNING	<u>596,285</u>	<u>563,142</u>
CASH - ENDING	<u>\$ 641,701</u>	<u>\$ 596,285</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (65,149)	\$ (84,832)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	99,983	100,357
(Increase) decrease in accounts receivable	(2,219)	910
Decrease in accounts payable	<u>-</u>	<u>(2,468)</u>
Net cash provided by operating activities	<u>\$ 32,615</u>	<u>\$ 13,967</u>

See notes to financial statements

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Leighton Township Green Lake Sewer Commission, Michigan (the Commission), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Commission. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Commission has determined that no outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Commission's financial statements.

Leighton Township has determined that the Commission meets the criteria for a component unit.

b) Basis of accounting:

The Commission uses the accrual basis of accounting to account for its operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. The Commission has elected not to follow subsequent private-sector standards.

c) Operating revenues and expenses:

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with principal ongoing operations. Operating revenues represent billings to the constituent municipalities for operating and maintaining the utility systems located in and owned by the constituent municipalities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets and liabilities:

i) Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - All receivables are considered to be fully collectible.

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets and liabilities (continued):

iii) Capital assets - Capital assets, which include property, equipment, and vehicles, are defined by the Commission as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Sewer system and improvements	40 years
Equipment	10 years

NOTE 2 - CASH:

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Commission's investment policy authorize the Commission to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Commission's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Commission will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2008 and 2007, \$252,633 and \$212,687, respectively, of the Commission's bank balances of \$645,016 and \$564,068 was exposed to custodial credit risk because it was uninsured.

The Commission believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Commission evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - RECEIVABLES:

Receivables for the Commission as of years ended March 31, 2008 and 2007, in the aggregate, are as follows:

	<u>Charges for service</u>	<u>Interest</u>	<u>Special assessments</u>	<u>Totals</u>
2008	\$ 3,627	\$ 26,106	\$ 152,500	\$ 182,233
2007	1,408	17,099	210,000	228,507
Noncurrent portion:				
2008	-	-	102,500	102,500
2007	-	-	160,000	160,000

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital asset activity of the Commission for the years ended March 31, 2008 and 2007, was as follows:

	<i>Balance April 1, 2007</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance March 31, 2008</i>
Capital assets not being depreciated - land	\$ 138,782	\$ -	\$ -	\$ 138,782
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	44,066	-	-	44,066
Subtotal	3,898,098	-	-	3,898,098
Less accumulated depreciation for:				
Sewer system	(1,856,763)	(95,937)	-	(1,952,700)
Equipment	(26,418)	(4,046)	-	(30,464)
Subtotal	(1,883,181)	(99,983)	-	(1,983,164)
Total capital assets being depreciated, net	2,014,917	(99,983)	-	1,914,934
Total capital assets, net	\$ 2,153,699	\$ (99,983)	\$ -	\$ 2,053,716
	<i>Balance April 1, 2006</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance March 31, 2007</i>
Capital assets not being depreciated - land	\$ 138,782	\$ -	\$ -	\$ 138,782
Capital assets being depreciated:				
Sewer system	3,854,032	-	-	3,854,032
Equipment	44,066	-	-	44,066
Subtotal	3,898,098	-	-	3,898,098
Less accumulated depreciation for:				
Sewer system	(1,760,413)	(96,350)	-	(1,856,763)
Equipment	(22,411)	(4,007)	-	(26,418)
Subtotal	(1,782,824)	(100,357)	-	(1,883,181)
Total capital assets being depreciated, net	2,115,274	(100,357)	-	2,014,917
Total capital assets, net	\$ 2,254,056	\$ (100,357)	\$ -	\$ 2,153,699

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES:

Long-term debt at March 31, 2008 and 2007, is comprised of the following individual issue:

	<u>2008</u>	<u>2007</u>
\$600,000 2002 Sewer Disposal System Revenue Bonds; payable in annual installments of \$50,000 to \$70,000; plus interest at 3.60% to 4.65%; with a final payment due April 2012.	\$ 270,000	\$ 330,000
Less unamortized discount	<u>(4,800)</u>	<u>(6,000)</u>
Total long-term liabilities	<u>\$ 265,200</u>	<u>\$ 324,000</u>

Long-term liability activity for the year ended March 31, 2008 and 2007, was as follows:

	<u>2008</u>	<u>2007</u>
Beginning balance	\$ 330,000	\$ 390,000
Additions	-	-
Reductions	<u>(60,000)</u>	<u>(60,000)</u>
Ending balance	<u>\$ 270,000</u>	<u>\$ 330,000</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ -</u>

Debt service requirements at March 31, 2008, were as follows:

<i>Year ended March 31:</i>	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 6,063
2010	65,000	10,729
2011	65,000	7,886
2012	70,000	4,847
2013	<u>70,000</u>	<u>1,627</u>
Totals	<u>\$ 270,000</u>	<u>\$ 31,152</u>

Leighton Township Green Lake Sewer Commission
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CLAIMS ARISING FROM RISKS OF LOSS:

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Commission has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

May 29, 2008

To the Board of Trustees
Leighton Township Green Lake Sewer Commission

We have audited the financial statements of the Leighton Township Green Lake Sewer Commission for the year ended March 31, 2008, and have issued our report thereon dated May 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 14, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Leighton Township Green Lake Sewer Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by Leighton Township Green Lake Sewer Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

We noted no transactions entered into by Leighton Township Green Lake Sewer Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Commission's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



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The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the years ended March 31, 2008 and 2007.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Leighton Township Green Lake Sewer Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Leighton Township Green Lake Sewer Commission as of and for the year ended March 31, 2008 and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Leighton Township Green Lake Sewer Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

To the Board of Trustees
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May 29, 2008

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Commission does not have policies and procedures in place to allow for timely review and monitoring of the Commission's financial transactions by the Board of Trustees.

The Commission has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles and the presentation of financial statement disclosures. This is a recurring comment. The Commission has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Leighton Township Green Lake Sewer Commission and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.